

Message Text

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73

ORIGIN ARA-20

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-03

COME-00 DODE-00 EB-11 FEAE-00 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 OPIC-12 PA-04

PRS-01 SSO-00 NSCE-00 USIE-00 INRE-00 /168 R

DRAFTED BY ARA-LA/EP:RFWEBER

APPROVED BY ARA:HWSHLAUDEMAN

EB/IFD/OIA:RSMITH

L/ARA:DGANTE

EB/ORF/FSE:MCREEKMORE (SUBS)

----- 008943

O R 081944Z AUG 74

FM SECSTATE WASHDC

TO AMEMBASSY QUITO IMMEDIATE

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L STATE 173118

E.O. 11652: GDS

TAGS: ENRG, EC

SUBJECT: ADA NEGOTIATIONS

REF: A. QUITO 5170, B. QUITO 5171

1. UPON RECEIPT REFTEL A ARA/EP SPOKE WITH LASSITER IN HOUSTON. HE UNDERSTANDS FULLY DESIRABILITY OF AVOIDING RIGID PUBLIC POSTURES AND AGREED KEEP DEPARTMENT AND EMBASSY FULLY ADVISED ADA INTENTIONS.

2. LASSITER SAID OWNERS' MEETING SCHEDULED HOUSTON MORNING AUGUST 8 TO HEAR REPORT OF BASTIDES AND JIMENEE AND DECIDE ON COURSE OF ACTION. HE WILL INFORM US OF ANY DECISIONS REACHED.

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3. LASSITER INFORMED US IN STRICTEST CONFIDENCE THAT

THERE IS NO RPT NO LIKELIHOOD THAT OWNERS WILL SUBMIT PREQUALIFICATION OR BID UNDER PRESENT CIRCUMSTANCES. HE FEELS THAT THE POLICY OF COOPERATION AND NEGOTIATION HE RECOMMENDED TO OWNERS AND HAS CARRIED OUT SINCE 1972 HAS COME TO THE END OF THE LINE. HE HAS LOST ALL FAITH IN THE WORD OF THE GOE AND IS CLEARLY INCLINED TOWARD A HARD LINE

UNLESS GOE BACKS DOWN AND AGREES TO A FORMULA THAT WILL PROTECT ADA'S INVESMENT.

4. HARD LINE IN IS VIEW WOULD INCLUDE REQUEST TO USG FOR INTERVENTION AND SANCTIONS, EFFORTS TO DISCOURAGE OTHER

BIDDERS, LEGAL STEPS TO PREVENT OTHERS FROM EXPLOITING THE CONCESSION, AND EFFORTS TO DENY ACCESS TO OFFSHORE DRILLING RIGS. LASSITER FEELS ADA IS IN A POSITION O DENY DEVELOPMENT OF THE GAS DEPOSITS FOR A CONSIDERABLE PERIOD SHOULD THEY BE DRIVEN TO THIS EXTREME ALTERNATIVE.

5. WHILE LASSIER POSITION MAY BE PARTLY A NEGOTIAING POSTURE WE ARE INCLINED TO TAKE HIM SERIOUSLY IN VIEW OF HIS PAST REASONABLE ATTITUDE AND STRONG FEELING HE HAS

BEEN BETRAYED BY GOE.

6. LASSITER IS CLEARLY NOT ENTHUSIASTIC ABOUT HE PROSPECTS FOR FINDING VERY LARGE ADDITIONAL AMOUNTS OF GAS ON THE CONCESSION AND REGARDS CONTINUED ADA EXPLOITATION AS THE MOST LIKELY WAY TO GET OUT THE DOLS. 26 MILLION

ADA HAS SUNK IN THE PROJECT. IF OFFERED THE CHOICE BETWEEN CONTINUED WORKING OF THE CONCESSION AND EXPROPRIATION WITH FULL COMPENSATION LASSITER SAID OWNERS WOULD PROBABLY TAKE THE LATTER. HE ADMITTED THAT HERE MIGHT BE SOME FIGURE LESS THAN DOLS. 26 MILLION THAT WOULD PROVE ATTRACTIVE, HOWEVER, HE WAS NOT ANXIOUS TO DISCUSS THIS AND FEARED THAT THE GOE WOULD BE LIKELY TO OFFER

ONLY A FEW CENTS ON HE DOLLAR.

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7. LASSITER IS WELL VERSED IN THE HISTORY OF HOW THE GOE HAS HANDLED INVESMENT DISPUTES IN THE PAST AND FEARS THAT GOE MAY LOCK ITSELF INTO A POSITION FROM WHICH IT CANNOT RETREAT BEFORE ADA AND USG HAVE OPPORTUNITY TO PLAY ALL CARDS. HE IS THEREFORE ANXIOUS THAT USG PROVIDE STRONG SUPPORT AS QUICKLY AS POSSIBLE. HE SAID HE MAY VISIT WASHINGTON FOLLOWING OWNERS' MEETING TO ENLIS

SUPPORT OF DEPARTMENT AND TREASURY AT HIGH LEVEL. WE INFORMED LASSITER OF AMBASSADOR BREWSTER'S INTENDED MEETING WITH ACTG FONMIN VALDEZ AND PROMISED TO INFORM

HIM OF ANY PERTINENT RESULTS.

8. FOLLOWING AMBASSADOR'S MEETING WITH ACTG FONMIN WHICH WE UNDERSTAND TO BE ESSENTIALLY FACTFINDING IN NATURE, DEPT WOULD APPRECIATE RECEIVING EMBASSY'S RECOMMENDATIONS ON FURTHER STEPS WE CAN TAKE. GIVEN LASSITER ASSESSMENT ABOVE, WE TEND TO FEEL THAT TIME HAS COME TO DISCUSS ADA MATTER WITH GOE OFFICIALS A APPROPRIATELY HIGH LEVEL TO TRY TO ASSURE THAT ADA IS GIVEN FAIR REATMENT AND THAT MATTER DOES NOT BECOME A SERIOUS FOREIGN RELATIONS PROBLEM. WE ARE PREPARED, INER ALIA, TO DISCUSS THE MATTER HERE WITH AMBASSADOR QUEVEDO. (WE HAVE AVOIDED GIVING LASSITER IMPRESSION THAT WE ACCEPT HIS POSITION AS TO WHAT FAIR COMPENSAION IN THIS CASE MIGHT CONSIST OF.) KISSINGER

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